



How Professional Fiduciaries Work

The Motley Fool

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No one likes giving up control over personal affairs. When it comes to finances, people are doubly cautious about turning over the reins to someone else — and rightly so, given the number of con artists and financial scams going around. So before you accept the idea of letting an outsider handle your finances, you want to know exactly what to expect.

For those who don't have any close friends or family members willing or able to handle a fiduciary role, a professional trustee may be the best option. Many major banks, including **Wells Fargo** (NYSE: WFC) and **US Bancorp** (NYSE: USB), offer professional trust services to clients like you. Yet images of hard-nosed bankers with an iron grip on your money may be difficult to dispel. Enough people have bad experiences with professional trustees that it's hard to get objective information about how they really work.

The inside view

Trust officers serve as the main conduit of communication connecting the banks and trust companies they work for, the people who create trusts, and the beneficiaries of those trusts. If you walk into a financial institution and ask about professional trustee services, you will usually end up with a trust officer as your primary contact. The trust officer will provide you with information about how the institution manages trusts for clients. A good trust officer will then solicit information from you about your goals and expectations and determine whether there's a fit between you and the institution.

If you decide to establish a financial relationship with the institution, then the trust officer will continue to act as the point person on your account. You can expect this person to be available for you when you need assistance or have questions not only about the trust but also about a wide range of general financial matters. Some experienced trust officers can even give you information on issues that are only somewhat related to finance, such as which local senior-care facilities are best and what resources are available for people needing special types of medical attention. If your trust continues after your death, then the people you name as beneficiaries will continue working with your chosen institution, and usually your trust officer will continue to assist your beneficiaries.

Although you and your family will have the most contact with your trust officer, the trust officer doesn't have unfettered power to handle everything independently. Many other employees help your trust officer perform the institution's duties.

Trust administration

In theory, administering a trust is a simple task - one must simply look at the trust document and follow its instructions. In practice, however, things are much more complicated. Often, there are multiple beneficiaries whose interests must be weighed against each other. And flexible legal terms in the trust document give the trustee great latitude in making important decisions about distributing money from the trust to beneficiaries.



While some day-to-day decisions are left to the discretion of the trust officer, major decisions usually require review, oversight, and approval from other employees. In some institutions, a committee composed of trust officers, managers, and others must approve distributions above certain minimal amounts. Similarly, a decision to terminate a trust early or to seek amendment of a trust's provisions generally requires upper-level approval. Because these committees meet only periodically, final decisions often must wait for days or even weeks until the next committee meeting. However, in emergency situations, committee members can confer by teleconference or e-mail to allow time-sensitive actions to take place.

Investing your assets

Most professional trustees have employees who are solely responsible for investing trust assets. These investment specialists work with the trust officer to determine your specific needs, as well as those of your beneficiaries. Once the trust officer provides enough information to give the investment specialists a basic idea of the level of risk that's appropriate for the trust portfolio, the investment specialists follow investing parameters that the institution sets and buy securities that conform to these parameters.

Depending on the size of the portfolio, a professional trustee may use a combination of individual securities and mutual funds. Some professional trustees do their own stock research and maintain lists of recommended stocks for use in client portfolios; others rely on outside sources for choosing stocks or use solely mutual funds. From time to time, you may have the opportunity to meet with an investment specialist to answer any questions you have about particular investments within your trust or about the specifics of the institution's investment process. However, your trust officer will often be able to handle basic investment questions and explain the general process to you.

Handling transitions

Perhaps the most critical time in your family's relationship with a professional trustee occurs when a major transition takes place. The most common transition event is the death of the person who set up the trust, or the death of a current beneficiary of that trust. Either event triggers the need for quick responses to handle significant changes in the manner in which trust administration will continue.

For instance, many trusts terminate upon the death of a beneficiary. In that case, the trust officer's role changes to one of wrapping up the affairs of the trust and making final distributions of trust assets according to the instructions within the trust document. Although trust documents rarely specify a time frame for making final distributions, following the necessary procedures for wrapping up a trust can often take months so as to ensure that no loose ends remain that could come back to harm those who receive the trust assets.

In general, professional trustees try to offer the best of both worlds to their clients. Trust officers offer personalized service and a commitment to meeting the needs of their customers. Behind the scenes, however, a host of other support staff is present to handle all aspects of trust and financial management. Together, the best professional trustees work as a team to earn your satisfaction and trust.



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Fool contributor [Dan Caplinger](#) used to work as a trust officer. He doesn't own shares of any of the companies mentioned in this article. The Fool's [disclosure policy](#) works for you.

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